



# OFFICE OF THE STATE AUDITOR



## Legislative Audit Committee September 24-25, 2018 Minutes

DIANNE E. RAY, CPA  
—  
STATE AUDITOR

### Day 1 - September 24, 2018

The Legislative Audit Committee (LAC) hearing convened at 10:00 a.m. in Hearing Room B of the Legislative Services Building. Chair Neville called the meeting to order and roll was taken with the following result:

#### Committee Members

Senator Rhonda Fields (arrived at 9:08 a.m.), Representative Tracy Kraft-Tharp, Representative Dafna Michaelson Jenet, Senator Tim Neville (Chair) (arrived at 9:08 a.m.), Representative Kim Ransom, Representative Lori Saine, Senator Jim Smallwood, Senator Nancy Todd (Vice Chair)

The following Office of the State Auditor (OSA) staff and others attended:

#### OSA

Dianne E. Ray, State Auditor, Monica Bowers, Deputy State Auditor, Kerri Hunter, Deputy State Auditor, Michelle Colin, Crystal Dorsey, Nina Frant, Greg Fugate, Derek Johnson, Tessa Mauer, Laura Russell, Heidi Wagner

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## Other Attendees

### Department of Regulatory Agencies

Margarite Salazar, Mike Conway

### Department of Revenue

Michael Hartman

### Colorado Lottery

Tom Seaver, Jim Bensberg

### Judicial Branch

Christopher Ryan

### Colorado Department of Education – School Finance Division

Jennifer Okes

### Bethune School District R-5

Shila Adolf

### Trinidad School District #1 – Las Animas County RE-1

Bonnie Aaron, Mitch Nutterfield

### Hayden School District RE-1

Christy Sinner, Nancy Seams

10:00 a.m.:

### **Department of Regulatory Agencies – Division of Insurance, Title Insurance Regulation, September 2018, Performance Audit #1756P**

Vice Chair Todd made a motion to release the Title Insurance Regulation, September 2018, Performance Audit. Representative Ransom seconded the motion and the motion passed unanimously.

Following opening remarks and introductions by Monica Bowers, Heidi Wagner provided an overview of the performance audit. Recommendation numbers 1 through 4 and all subparts were reviewed, discussed, and agreed to by the Division of Insurance. Discussion ensued regarding market competition, consumer access to title insurance information, and processes around conflict of interests.

11:14 a.m.

### **General Business**

## Minutes

Representative Michaelson Jenet made a motion to approve the August 13-14, 2018 LAC minutes subsequent to amending page four to include Kerri Hunter on the attendee list. Vice Chair Todd seconded the motion to approve the minutes. The motion passed unanimously.

## Annual Report

Greg Fugate presented the OSA's 2018 Annual Report and highlighted a few areas of the report's key audit performances including a section for the new Fraud Hotline.

## Required Communication with Those Charged with Governance

In accordance with the U.S. generally accepted auditing standards, Kerri Hunter provided an overview of significant matters related to the Statewide Single Audit of the State of Colorado for Fiscal Year 2018 to the Committee, which included a list of areas of significant risk and the corresponding planned audit approach.

**11:28 a.m.**

## Audit Request

The Office of the State Auditor received the following two audit requests to present to the Committee. State Auditor Ray requested preliminary research time as allowed by Committee Rules to determine background of the subject and possible questions the audit might answer:

1. Performance audit of the Great Colorado Payback Program within the Department of the Treasury - Representative Ransom made a motion to expand the scope of the audit request to include sustainability of cash in and cash out. Representative Saine seconded the motion. A roll call vote was taken and passed 8-0 to grant 40 hours to the Office of the State Auditor to conduct preliminary research.
2. Performance audit of the Regional Transportation District's Farebox Program - A roll call vote was taken and passed 8-0 to grant 40 hours to the Office for the State Auditor to conduct preliminary research.

**11:42 a.m.: Recess**

1:30 p.m.

**Department of Revenue – Colorado Lottery, August 2018, Performance Audit #1753P**

Representative Saine made a motion to release the Performance Audit of the Department of Revenue, Colorado Lottery. Senator Smallwood seconded the motion and the motion passed unanimously.

Following introductions, Derek Johnson provided an overview of the performance audit.

Recommendation #1 and its two subparts were reviewed, discussed, and agreed to by the Lottery. Discussion ensued regarding trends of frequent winnings by the same individuals and investigation into those instances for possible fraud.

Recommendation #2 and its three subparts were reviewed, discussed, and agreed to by the Lottery to keep its staff/vendor database current to eliminate any risks of impropriety.

Recommendation #3 was reviewed, discussed, and agreed to by the Judicial Branch.

2:34 p.m.

**General Business**

**Colorado Lottery Legislative Discussion**

Michelle Colin opened a discussion for the Committee to consider whether to request a bill draft for the Judicial Branch to intercept prize winnings to encompass all debts assessed by the courts and not just victim's restitution. The Committee requested information on the costs to implement this. In addition, the Committee discussed possible statutory changes around "discounting", or redeeming lottery prizes for a percentage to possibly avoid tax reporting or intercepting prize money for child support, victim's restitution, or state collections. The Department of Revenue will gather more information on this proposal and present it at November's hearing.

**Status Report**

**Judicial Branch – Public Administrators, August 2017, Performance Audit #1678P**

Following introductions and a brief overview, Mr. Ryan provided an update on Public Administrators' filing requirements based on revised legislation. The State Court Administrator's office partially implemented all subparts of Recommendations #1 through #5 related to filing fees, maintaining records, and posting information.

3:00 p.m.

**Colorado School Districts, Fiscal Health Analysis, Fiscal Years 2015-2017  
September 2018, Informational Report #1839S**

Vice Chair Todd made a motion to release the Colorado School Districts, Fiscal Health Analysis, Fiscal Years 2015-2017, Informational Report. Representative Saine seconded the motion and the motion passed unanimously.

Following opening remarks by Kerri Hunter and introductions, Crystal Dorsey provided an overview of the analysis. Discussion ensued on district budgets and the financial strains faced by those rural schools. Schools effectively manage by reducing programs, staffing, and dwindling reserves.

**4:09 p.m.: Recess**

**Tuesday, September 25, 2018**

The LAC reconvened at 9:00 a.m. in Hearing Room B of the Legislative Services Building. Vice Chair Todd called the meeting to order and roll was taken with the following result:

**Committee Members**

Senator Rhonda Fields, Representative Tracy Kraft-Tharp, Representative Dafna Michaelson Jenet, Senator Tim Neville (Chair), Representative Kim Ransom, Representative Lori Saine, Senator Jim Smallwood, Senator Nancy Todd (Vice Chair)

The following Office of the State Auditor (OSA) staff and others attended:

**OSA**

Dianne E. Ray, State Auditor, Monica Bowers, Deputy State Auditor, Matt Devlin, Deputy State Auditor, Kerri Hunter, Deputy State Auditor, Kevin Amirehsani, Carleen Armstrong, Dana Berry, Michelle Colin, Nina Frant, Sarah Grider, Jenny Page, Kate Shiroff, Trey Standley, James Stout, Kara Trim

**Other Attendees**

Office of the Child's Representative

Sheri Danz, Chris Henderson, Barbara Shaklee

State Land Board

Bill Ryan

Office of Film, TV, & Media  
Donald Zuckerman, Commissioner  
Mariel Rodriguez-McGill, Deputy Film Commissioner

Office of Legislative Legal Services  
Robert Lackner

9:00 a.m.

**Judicial Branch – Office of the Child’s Representative, September 2018,  
Performance Audit #1776P**

Representative Saine made a motion to release the Office of the Child’s Representative, September 2018, Performance Audit. Representative Ransom seconded the motion and the motion passed unanimously.

Following opening remarks and introductions, Carleen Armstrong provided an overview of the audit report. Recommendation #1 and its three subparts were reviewed, discussed, and agreed to by OCR. Discussion ensued regarding contracting with attorneys and model offices. Recommendation #2 and its six subparts were reviewed, discussed, and agreed to by OCR. Discussion ensued regarding monitoring attorneys and their contacts with the children they represent. Recommendation #3 and its four subparts were reviewed, discussed, and agreed to by OCR. Discussion ensued regarding costs and accountability associated with Colorado CASA. Recommendation #4 and its six subparts were reviewed, discussed, and agreed to by OCR. In the interest of time, Recommendation #5 was not reviewed or discussed.

10:50 a.m.

**Tax Expenditures, September 2018, Compilation Report #2018-TE1**

Upon introductions by Michelle Colin, OSA staff reported on tax exemptions in the areas of Agricultural Lease, Hunger Relief, Crop/Livestock, Biogas Production, and Long-term Lodging.

11:55 a.m.

## **Status Reports**

### **Department of Natural Resources – State Land Board**

#### **October 2017, Performance Audit #1681P**

The Department of Natural Resources provided a written status report of the recommendations from the performance audit. Following introductions, Mr. Ryan noted that the Department has implemented all subparts of each of the six recommendations.

### **Governor’s Office of Economic Development and International Trade –**

#### **Office of Film, Television, and Media, May 2017, Performance Audit #1670P**

Following introductions, Ms. Rodriguez-McGill reviewed the written status report presented to the LAC. OEDIT is committed to improve its process and controls and have implemented all six of the recommendations and their subparts.

12:05 p.m.

## **Legislation**

OSA Bill Draft – Auditor Ray presented a Bill Draft to update and align the authority of OSA to access records as they relate to statutorily-required or authorized audits of non-state agencies. Discussion ensued for Legislative Legal Services to clarify sections of the draft, which will be presented at the next LAC hearing.

## **General Business**

Update on verification of OIT Recommendations – Mr. Devlin provided a verbal update on the outstanding recommendations of the CDPHE IT audit. OIT has provided documentation that can fully substantiate implementation of seven out of 16 recommendations including one recommendation that OIT approved a security exception for CDPHE to accept full risk of not implementing the recommendation.

OIT Centralization Update – The evaluation is in progress and will be presented at the December LAC hearing.

Hearing adjourned at 12:24 p.m.

Minutes submitted by: Susan Chu

Executive Assistant

Office of the State Auditor